



OFFICIAL STATEMENT

May 26, 2021

Official Statement by Long Beach City Auditor Laura Doud Investigation Confirms that Urban Commons, Leaseholder and Operator of the Queen Mary, Misrepresented Financial Information to the City of Long Beach

The Long Beach City Auditor's Office (Office) in partnership with the forensics accounting firm, Hemming Morse, has performed an analysis of financial transactions and activity between Urban Commons Queensway LLC (Urban Commons), the leaseholder and operator of the Queen Mary, and the City of Long Beach (City). The purpose of the investigation was to verify that the \$23 million approved by City Council in 2016 was used as intended to fund 27 critical and urgent repair projects identified in the 2016 Marine Survey.

Though there was a significant lack of cooperation from Urban Commons during the investigative process, the investigation includes the following two key findings confirming that Urban Commons did in fact misrepresent financial information and failed to perform their duties under the lease as:

1. Urban Commons stated to the City in invoice documents it had paid vendors when vendors had not been paid; and
2. Urban Commons and some vendors have not provided all necessary information to support or document that cash disbursements to vendors were made in the amounts or on the dates as asserted by Urban Commons.

Regarding the invoice documents, Urban Commons would submit invoices for reimbursement to the City for work that was performed by the vendors that they hired. The invoices Urban Commons submitted were stamped "PAID" which was "self-certification" that they had been paid, however those payments were not independently confirmed. Upon further review of these invoices, it was discovered that Urban Commons developed a "tracking document" with the actual dates that Urban Commons paid their vendors. When the invoices were compared to the tracking document, it was discovered that 87 of 89 invoices that Urban Commons submitted to the City with the "PAID" stamp on it were in fact not paid at the time the invoices were submitted to the City. In fact, it was found that on average Urban Commons invoiced the City 51 days prior to paying the vendor.

This finding provides clear proof that Urban Commons intentionally and explicitly misrepresented the truth to the City.

Further, Urban Commons has not provided the critically important information in order to confirm the accuracy of payments made for the intended repair projects as required by the lease agreement. After repeated requests, Urban Commons has not provided its electronic check register, cash account detail, bank statements and cancelled checks, cashier's checks, wire transfers or other payments paid to vendors and subcontractors relating to the \$23 million funded by the City.

This misrepresentation of the truth and unwillingness of Urban Commons to provide the basic and required financial records is very troubling, and we will continue to pursue this investigation.

See the investigation report with more details on the findings [here](#).

The Long Beach City Auditor's Office's mission is to make Long Beach better through independent audits and fraud investigations. The Office works to provide assurance City funds are spent as intended, promote transparency and accountability of City operations, and prevent fraud, waste and abuse of City resources. For more information visit CityAuditorLauraDoud.com and connect with the Office @LBCityAuditor on [Facebook](#), [Instagram](#) and [Twitter](#). Sign up to receive email [updates](#) and download the MyAuditor App at the [App Store](#) or [Google Play](#).

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